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NSC BRIEFING

6 January 1959

TURKEY
(For discussion of OCB paper)

- I. Turkey continues to suffer from serious economic stresses during the early difficult stages of implementing its stabilization program.
 - A. Last August the US and other Western countries agreed to extend Turkey \$359 million in credits and aid. Turkey in return agreed to undertake economic reforms, including a type of devaluation and restrictions on credit.
 - B. Turkey's ambitious investment program during recent years has contributed largely to a foreign debt of \$1.2 billion.
 - C. Prime Minister Menderes erred in not preparing the public for an interval of continued economic hardship before the beneficial results of the stabilization program take effect.
 - D. The government is implementing unpopular stabilization measures despite resultant political pressures.
 - E. However, consumer not likely to see tangible benefits of program before spring and even then continued austerity will be necessary.
- II. Menderes faces severe political challenge largely because of economic pressures during the next few months.
 - A. Opponents both within and outside his party are making strong efforts to exploit popular discontent aroused by stabilization program.
 - B. Educated urban element, which feels economic pinch, is also disillusioned with Menderes because of restrictions on the press and other freedoms.

C. Peasant majority, which up to now has been relatively unaffected by stabilization measures, continues to be pro-Menderes.

D. Relations between Menderes and opposition leader Ismet Inonu are tense.

1. Menderes has propagandized that Inonu plans to come to power illegally.

2. Inonu charges Menderes is trying to outlaw opposition and rule as Middle Eastern despot.

E. With elections at least two years away and his party having a 2-1 majority in the legislature Menderes prospects for outmaneuvering opponents are good.

1. Most serious threat to him is rising opposition to him from within his own party.

III. The Cyprus dispute continues to be a major problem for the Turkish government but current Greek-Turkish negotiations offer some optimism that a settlement may be reached.

A. Ankara has shown willingness to make concessions, and is attempting to prepare the public for a settlement. Mutual suspicions and opposition criticism of conciliatory steps continue to hamper efforts to reach a settlement.

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"4. No progress was made on the Cyprus issue involving Greece, Turkey and the UK and Turkish-Greek relations have remained strained."

As stated in NIE 33-58 dated 30 December 1958, "Turkish-Greek tensions over Cyprus continue. ... However, recent informal talks between the Turkish and Greek foreign ministers have resulted in a tentative plan for solution which offers some hope that progress may be made in the controversy."